NCA
VOC FOR IOP/FN
BACKGROUNDER NO. 5-5431 JANUARY 6, 1978
FRANK M. FEINBERG

U.S. ECONOMIC PROSPECTS FOR 1978

ANNCR:

THE OUTLOOK FOR THE U.S. ECONOMY THIS YEAR IS REASONABLY GOOD, WITH EXPANSION EXPECTED TO CONTINUE. VOA BUSINESS AND ECONOMICS EDITOR FRANK FEINBERG HAS THIS BACKGROUND REPORT:

VOICE:

THE CONSENSUS OF ECONOMISTS, BUSINESS EXECUTIVES AND GOVERNMENT OFFICIALS IS FOR STEADY GAINS IN THE AMERICAN ECONOMY IN 1978. THE FORECASTERS AT THIS TIME SEE SMALL CHANCE FOR SPECTACULAR GAINS, BUT RATHER ANOTHER YEAR OF FAIRLY VIGOROUS EXPANSION. (OPT) AS BUSINESS WEEK MAGAZINE SAYS: "NEITHER BOOM OR BUST, BUT STEADY GROWTH." (END OPT)

THE EXPERTS -- BOTH IN AND OUT OF GOVERNMENT -- FORSEE THE GROSS NATIONAL PRODUCE -- THE GNP -- INCREASING BETWEEN FOUR AND FIVE PERCENT, AFTER ADJUSTMENT FOR INFLATION. AND THEY EXPECT THE UNDERLYING U.S. INFLATION RATE OF ABOUT SIX PERCENT DURING 1977 TO REMAIN ABOUT THE SAME.

THE PICKUP IN CONSUMER SPENDING IN THE PAST SEVERAL MONTHS IS CAUSE FOR OPTIMISM. COMMERCE SECRETARY MISSUS JUANITA KREPS PREDICTS THAT CONSUMER SPENDING WILL CONTINUE AT A STRONG PACE. OUTLAYS FOR HOUSING ARE ENCOURAGING. STARTS FOR NEW UNITS HAVE BEEN RISING BY ABOUT ONE-HUNDRED-THOUSAND UNITS A QUARTER.

THE U.S. COMPUTER INDUSTRY EXPECTS ANOTHER YEAR OF GOOD GROWTH. INCOMING ORDERS ARE STRONG. ANOTHER BRIGHT INDUSTRIAL STAR IS SEMICONDUCTORS. THESE TINY CHIPS OF SILICON PERFORM ELECTRONIC FUNCTIONS IN CALCULATORS, DIGITAL WATCHES, MICROWAVE OVENS AND MANY OTHER PRODUCTS. SALES OF SEMICONDUCTORS ARE ANTICIPATED TO INCREASE BY TEN PERCENT OR MORE IN 1978.

EVEN THE HARD PRESSED STEEL INDUSTRY IS LOOKING ON THE BRIGHTER SIDE. TRADE SOURCES SAY AMERICAN STEEL MILLS ARE LIKELY TO SHIP AT LEAST NINETY-THREE MILLION TONS -- PERHAPS AS MUCH AS NINETY-NINE MILLION TONS -- IN 1978. THIS WOULD COMPARE TO ABOUT NINETY-ONE MILLION TONS SOLD IN 1977.

ALTHOUGH OVERALL PROSPECTS FOR THE ECONOMY LOOK FAVORABLE, SOME SECTORS HAVE POTENTIAL PROBLEMS. AUTOMOBILE SALES HAVE SLACKENED IN RECENT WEEKS. BOTH THE CHEMICAL AND PAPER INDUSTRIES AT PRESENT HAVE OVERCAPACITY IN SOME PRODUCTS. AND ALL THE BASIC U.S. INDUSTRIES ARE CONCERNED ABOUT COST CONTROL -- BOTH TO OFFSET CONSUMER RESISTANCE TO HIGHER PRICES, AND TO BUILD UP CAPITAL TO IMPROVE EFFICIENCY.

THE U.S. ECONOMY CURRENTLY EMPLOYS NINETY-THREE MILLION PERSONS AND IS TURNING OUT A GROSS NATIONAL PRODUCT WORTH CLOSE TO TWO-THOUSAND-THOUSAND-MILLION (TRILLION) DOLLARS. AND IT APPEARS THAT THE ECONOMY WILL CONTINUE CLIMBING UPWARD IN 1978.

-0-

JS/CAK